

**Top Secret**

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday December 8, 1976

CI NIDC 76-286C

**NATIONAL SECURITY INFORMATION**

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State Dept. review completed

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National Intelligence Daily Cable for Wednesday December 8, 1976.

The NID Cable is for the purpose of informing senior US officials.

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## LEBANON: Situation Report

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[ ] Renewed tensions in both southern and northern Lebanon may further complicate efforts by the Syrian-dominated security forces to begin collecting heavy weapons. According to unconfirmed press accounts, all the major combatants--including the Palestinians--reportedly agreed in principle earlier this week to a plan for disarmament. Implementation of the plan has already been delayed at least until next week.

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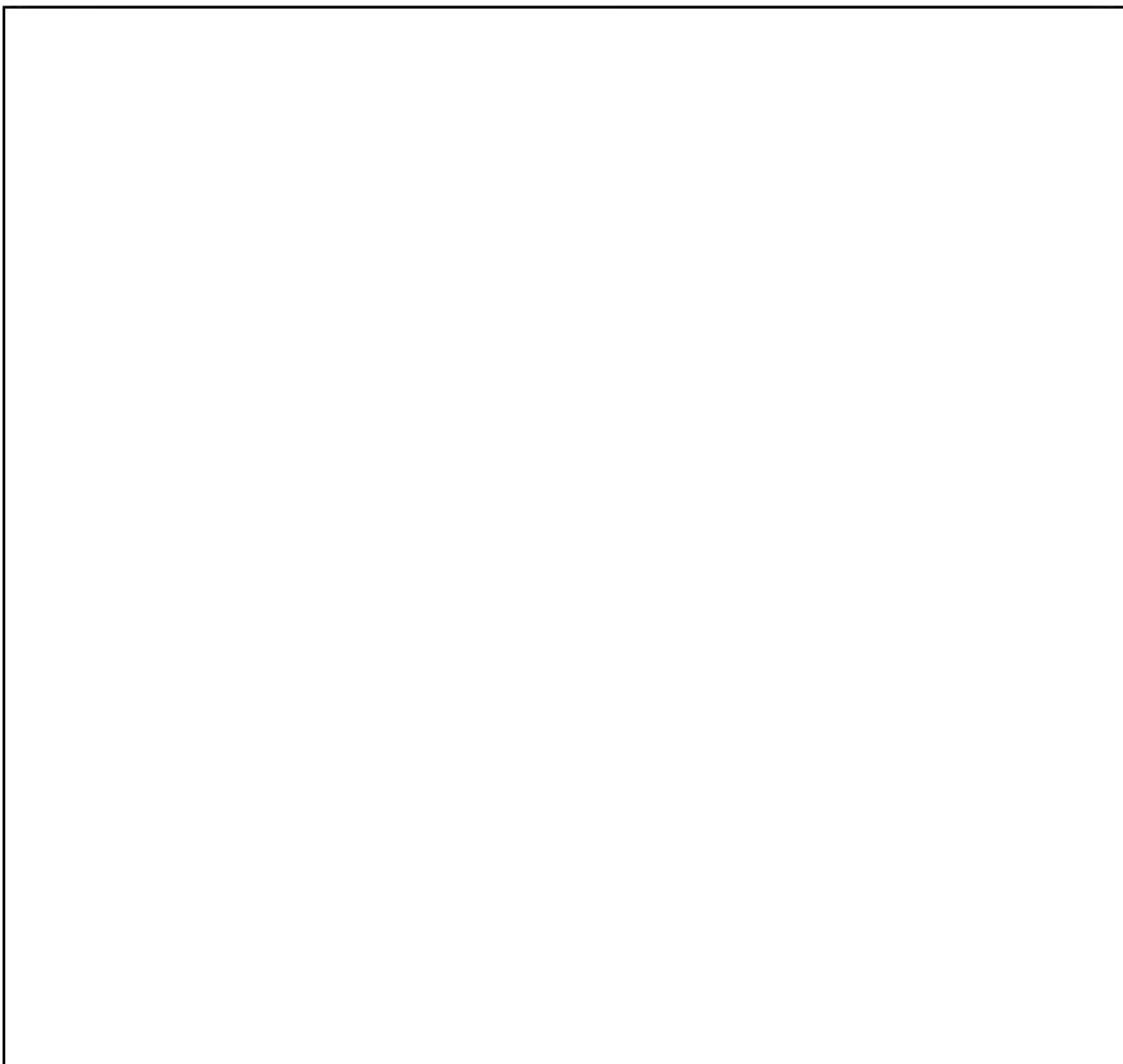
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[ ] Tel Aviv's continuing warnings that it will not tolerate the presence of a non-Lebanese military force to police the border area gives President Sarkis little room to find a

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compromise solution. There is no Lebanese force capable of maintaining security in the south, and efforts to create such a force with an acceptable balance of Christians and Muslims would cause a potentially dangerous delay in implementing other aspects of the cease-fire agreement, especially the roundup of weapons.

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RHODESIA: Guerrilla Delegation

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[REDACTED] The Rhodesian guerrilla leaders who arrived in Geneva last week to participate in the settlement talks have been playing a low-key role as part of Robert Mugabe's nationalist delegation.

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[REDACTED] Despite earlier indications that these men might challenge Mugabe's leadership of the Zimbabwe African National Union delegation, there has been no sign yet of such a move. The US mission in Geneva reports that Mugabe has appeared much more relaxed and confident since the arrival of the military leaders.



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[REDACTED]

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(C) Nkomo has told the US mission that he believes the guerrillas can be more fully controlled now that their leaders are at the conference. He hopes to take advantage of their presence by resuming negotiations begun some time ago on military coordination between his own forces and the ZANU guerrillas.

[REDACTED]

[REDACTED] The US mission reports that there may be as many as five basic subgroups within ZANU and that Mugabe's delegation remains an extremely fragile coalition.// [REDACTED]

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[REDACTED]

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[REDACTED]

OPEC: The Roots of Inflation

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[REDACTED] Contrary to assertions by the Organization of Petroleum Exporting Countries, we find that import prices have not been an important factor in inflation in OPEC member countries since late 1974. //OPEC's Economic Commission board has stated that members now pay 26 percent more for their imports than they did at the time of the last oil price increase in October 1975.//

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[REDACTED] Import prices were the leading cause of OPEC domestic inflation in 1973 and much of 1974. Our price indexes show that import prices paid by OPEC countries increased 22 percent in 1973, while consumer prices in those countries rose 10 percent. A similar situation seemed to hold for 1974, when import prices jumped 25 percent and consumer prices 17 percent. At least one third of the 1974 increase in import prices, however, reflected the impact of higher OPEC oil prices on Western cost structures for goods and services sold to the OPEC countries.

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[REDACTED] Since late 1974, the role of import prices in inflation has all but disappeared. Our indexes show gains in import prices of only 7 percent in 1975 and 2 percent this year. The \$90 billion increase in OPEC revenues between 1973 and 1974 has prompted most members to embark on vastly accelerated government spending programs. Domestic price increases have averaged 20 percent annually in the last two years and would have risen even faster had wage and price controls not been imposed in several OPEC countries.

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25X1 [ ] The continuing rapid inflation in OPEC can be directly attributed to:

--Port backlogs, which have led to huge demurrage fees and surcharges.

--Rising overland transport fees, which more than doubled between 1974 and 1975 in Iran, Iraq, Saudi Arabia, Libya, and Nigeria.

--An intense competition for labor that has boosted wages to as much as eight times above the 1973 level in some sectors, notably construction.

--Skyrocketing rents because of severe housing shortages.

25X1 [ ] As a result, the prices of both consumer goods and development projects is much higher among OPEC countries--particularly in the Middle East--than elsewhere in the world. For example, a new 500,000-ton-per-year ethylene plant costing roughly \$500 million in the US or Western Europe could cost more than \$1 billion in the Middle East. Because of cost overruns, many Western contractors have refused to sign fixed-price agreements for Middle East projects.

25X1 [ ] Strong inflationary pressures will persist in most OPEC countries for at least the next several years. There is no way to expand the availability of goods and services fast enough to meet the booming demand.

25X1 [ ] Nearly all OPEC governments thus have been forced into price control and subsidy programs. Price controls have been applied mainly to consumer items. Subsidies, initially for imported foodstuffs, now have been extended to such commodities as construction materials and capital goods. Iran, for example, now spends \$1.5 billion a year on subsidies.

25X1 [ ] These programs tend to stay in force long beyond their need. Only Algeria seems to be combining a slowdown in construction activity with a conscious policy of relaxing price controls. [ ]

## CHILE: Progress on Human Rights

25X1 [ ] //Our judgment that the Chilean government recently  
has substantially improved its practices in the area of human  
rights is supported by evidence collected by some of the junta's  
most persistent critics.//

25X1 [ ]  
25X1 [ ] recently confirmed to the US  
embassy in Santiago that recent government actions have gone a  
long way toward resolving the controversy over political pris-  
oners. [ ]

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25X1 [ ] the number  
of prisoners held by the government has declined sharply. [ ]  
25X1 [ ] figures show that most of those being tried or serving sen-  
tences are now out on bail, on parole, or under house arrest.  
The government is reported to be taking steps to commute the  
sentences of many persons already convicted; some 1,110 report-  
edly have been granted permission to go into exile and about 800  
of these have already left the country.//

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25X1 [ ] //Despite allegations by local communists and Radio  
Moscow that many persons recently freed have been rearrested and  
that unidentified bodies have appeared in the Santiago morgue,  
25X1 [ ] are convinced that there have been no new  
instances of illegal detention or killings. Although cases of  
unsolved disappearances are still pending, security forces do  
not appear to be engaged in the kinds of human rights violations  
that earlier aroused international condemnation.//

25X1 [ ] //Another sign of a more humane trend in government  
policy is a report that local military zone commanders are using  
their discretionary powers under the state of siege to reduce  
sentences. One regional commander told a US embassy officer that  
the number of persons detained in his province had diminished  
from 165 to 2 within the past year.//

25X1 [ ] //President Pinochet may be getting--and heeding--  
advice to ease the tough security restrictions that have been in

force since the coup three years ago. There is some information to suggest that the influence of hard-liners in the government has decreased and that Pinochet now thinks a new approach is justified by domestic tranquility and the high cost of Chile's international isolation. [REDACTED]

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#### BRAZIL: Election Results

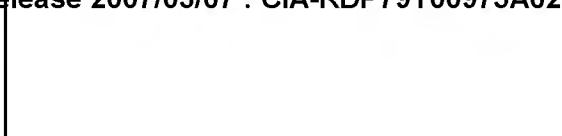
[REDACTED] The returns from Brazil's nationwide municipal elections, held November 15, have enhanced President Geisel's image. Tensions among conservative military leaders critical of Geisel's gradual moves toward political liberalization have been reduced by the strong support won by the pro-government party. The President now can claim to have an election mandate for his innovative approach to major policy issues.

[REDACTED] In the past, the local contests for approximately 4,000 municipal council seats and nearly as many mayorships have not been politically significant. Early this year, however, Geisel elevated them to national importance by proclaiming them a "plebiscite" on his administration. He also broke a 12-year tradition of presidential noninvolvement in civilian politics, and--despite his reserved manner--has proved to be an adept campaigner.

[REDACTED] There is no doubt that Geisel views the returns as a national vote of confidence in his leadership; his buoyant mood has had a calming effect on the rest of the country. A rash of bombings--attributed to right-wing extremists who opposed Geisel's political activism--subsided with the elections, and military criticism of the administration has softened noticeably in recent weeks.

[REDACTED] The President's respite from criticism and disruptive political maneuvering will almost certainly be temporary. Continuing economic problems and the likelihood of a mild recession

next year make it more likely that, after a short breathing  
period, military hard-liners and leading industrialists will re- 25X1  
new their complaints. 25X1



## CHINA: Grain Imports

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[redacted] China is not likely to increase its grain imports substantially in 1977 despite the poor crop this year.

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[redacted] So far, Peking has purchased 1.3 million tons of wheat for delivery in the first half of 1977--500,000 tons from Australia and 800,000 tons from Canada. Both countries expect further negotiations in late spring or early summer, but we do not expect total Chinese grain imports for the year greatly to exceed the 2 million tons purchased for delivery in 1976.

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[redacted] Crop conditions in China have not been good this year, and the Chinese have not said much about the results of the fall harvest. The absence of large new purchases probably reflects comparatively good grain crops near the large coastal cities, efforts to save foreign exchange, and plans to use existing stocks to meet production shortfalls. [redacted]

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## GRENADA: Political Situation

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[redacted] Prime Minister Gairy of the small Caribbean state of Grenada was returned to power in the general election held yesterday, but his United Labor Party's parliamentary majority was sharply reduced to a three seat margin.

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[redacted] Gairy's party defeated a radical-dominated, stridently anti-US coalition led by the pro-Cuban New Jewel Movement. [redacted]



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